

U.S. House and Senate Notification
Monday July 18, 2011

To: Congressional Health Staff

Re: CMS Issues Proposed Rules for Consumer Operated and Oriented Plans (CO-OPs)

The Centers for Medicare and Medicaid Services (CMS) took steps today to encourage the creation of Consumer Operated and Oriented Plans (CO-OPs), new private non-profit, consumer-governed health insurance plans that will help increase competition and give consumers and small businesses additional affordable health insurance choices. CMS is proposing standards for CO-OPs, and for qualifying for \$3.8 billion in repayable loans to help start-up and capitalize these new health plans. All CO-OP loans must be repaid with interest and loans will only be made to private, nonprofit entities that demonstrate a high probability of becoming financially viable.

CO-OPs are private, non-profit insurers governed by their members and offering affordable, consumer-friendly health insurance options. CO-OPs will use any profits to benefit their members, including actions to lower premiums, improve health benefits, improve the quality of members' health care, expand enrollment, or otherwise contribute to the stability of coverage for members.

Working from the recommendations of the public advisory committee, the rules proposing the framework were developed with significant input from many stakeholders, including testimony at public meetings from consumers, small businesses and health care providers. The proposed rule is only a first step. CMS is taking public comment on the proposal and expects to release a Funding Opportunity Announcement regarding the availability of loans to start up CO-OPs soon.

The CO-OP program provides for loans to private entities with the goal to create a new CO-OP in every State to expand the number of Exchange health plans with a focus on consumer accountability. The CO-OP program contains extensive provisions to protect against fraud, waste, and abuse. Loan recipients are subject to strict monitoring, audits, and reporting requirements for the length of the loan repayment period plus 10 years. Recipients must submit semi-annual program reports and quarterly financial statements. Additionally, CMS will conduct audits, including site visits, as appropriate. CO-OPs must meet a series of milestones as laid out in their loan term agreements before drawing down any money from the program.

For more information on today's announcement, read the fact sheet at www.HealthCare.gov/news/factsheets/coops07182011a.html.

Further information on the Consumer Operated and Oriented Plan program, including the determinations of the Federal Advisory Board and information for prospective applicants, can be found at: cciio.cms.gov/programs/coop/index.html

The full text of the Notice of Proposed Rulemaking can be found at www.ofr.gov/inspection.aspx.

A press release and fact sheet regarding this proposed rule are attached to this notification.

Thank you.